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Venezuela

Grain and Feed Update

Grain & Feed Update October

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Report Highlights:

Post expects imports of yellow corn, rice, and wheat to continue strong in My 2014/14, assuming availability of foreign exchange. Rising domestic food demand, and a strong need from the animal feed industry, and further reductions in domestic grain production all contribute to the need for imports.

Post:
Caracas

Commodities:
Wheat

Rice, Milled

Corn

Executive Summary:

Foreign exchange to import necessary inputs for wheat, rice and feed millers is a key issue in Venezuela. Fortunately, most grain-derived food staples are included in the list of price controlled items, and are on the priority list to receive foreign exchange. The lack of foreign exchange and delays in the issuance of import permits for the wheat and feed grain imports causes inventories to fluctuate erratically.

In contrast to the first quarter 2014, which was affected by a severe drought that negatively impacted rice and corn production and other important agricultural products, the winter crop, was characterized by intense rainfall at the end of September, creating delays in the harvest of corn and floods in other agricultural areas. As a consequence of these severe weather conditions for MY 2014/15 corn production is not expected to reach expected level previously forecast. Post is also dropping its estimate for rice production for 2015 based on a lack of agricultural inputs and current pricing policy.

Another factor affecting Venezuelan rice and corn production is controlled farm-gate and retail prices. Both farmers and industry complain of low prices for their product and high cost of production which are insufficient to operate profitably. Both have urged the Government to reevaluate its price policy. Post expects wheat, rice and corn imports to continue strong albeit lower based on steady demand and political pressure to stabilize food supplies. Grain inventories will continue to fluctuate due to a lack of foreign exchange availability. Rationing among the varying economic sectors will continue to appease importers in the short term.

Wheat

Wheat imports during MY 2013/14 were increased to 1.87 million tons based on GTA export data from Canada and the United States. These figures differ from Venezuela domestic official data and those of the processing wheat sector which stated that wheat imports during the same period reached 1.47 million tons and/or 1.62 million tons respectively. Imports are expected to remain strong in MY 2014/2015, albeit lower, reaching 1.8 million tons. Wheat flour products fall within the basic food basket and the Venezuelan government gives these products foreign exchange priority over other products to ensure food supplies. However, with lower expected oil prices in 2015, foreign exchange reserves are expected to get tighter. Venezuelan wheat millers report that wheat inventories are sufficient to meet demand for the rest of the year.

As previously reported, Post forecast an increase in wheat consumption to 1.75 million tons in MY 2014/15 based on population growth. Pasta and wheat-based products are preferred foods, and a low-cost basic staple of the Venezuelan diet which historically has been produced domestically. In the case of pasta, the government increased direct pasta imports to ensure food supplies, but in competition with millers. Again, it is hard to believe that this policy will be sustainable given continued declines in foreign exchange reserves.

The Venezuelan Pasta Manufacturing Association reported that over the period 2003-2007, average pasta imports were 3,578 tons/year. In 2014, so far, Venezuela has imported 35,389 tons of pasta mostly from Brazil and Italy. Imports from Brazil are carried out in large part by the government to be marketed through its official distribution networks at subsidized prices, while those coming from Italy are brought by private sector importers to be marketed at main supermarkets and deli stores. Regarding shortages of wheat flour for bread, there are certain complaints from bakers about not receiving the normal flow of flour from the mills. This is the result of a lag in production from the beginning of the year when major companies were stopped due to labor conflicts. The processing sector has not been able to replace the flour, as all production is consumed immediately.

RICE

The summer rice crop, or first crop, was negatively affected especially in the Guárico area, due to a severe drought and sever losses. According to Post contacts, the condition of the second crop or winter crop is better, due to the arrival of rains and availability of select inputs, like fertilizer. It is still too early to know the full impact of the severe weather conditions on crop size and yields. Preliminary estimates place the harvest at just below last year's level at around 380,000 tons given the sector is also suffering due to the lack of agricultural inputs and price controls.

The rice industry has urged the Government to evaluate the price problem, and to increase the control price for milled rice. The current controlled retail price of 9.50 bolivars/per kg. (\$ 1.52/kg) is not sufficient to cover production costs and an acceptable margin of profitability. Farmers also complained about the control farm-gate price that the Government fixed for rice in August at 8.6 bolivars/per kg (\$ 1.36), approximately one bolivar below the fixed retail price. The uncertainty that exists between farmers and industrial sectors, is discouraging rice production. On the other hand, imports of paddy rice as well as limited volumes of milled rice continue. Production continues to be insufficient to cover the country's consumption needs. Main exporters are Brazil, United States and Guyana. Imports for MY

2014/2015 are forecast at 500,000 MT.

Guyana's rice exports to Venezuela were made under the Petro-Caribe Energy Cooperation Agreement where Venezuela provides oil in exchange, in this case, for rice. The Memorandum of Agreement (MoA) between both countries was renewed in April 2014. According to Guyana sources, 110,000 tons of white rice and 88,000 tons of paddy rice were shipped to Venezuela in 2013. Similar to the agreement with Guyana, last September Surinam made a deal with Venezuela to export about 32,000 tons of paddy rice and 80,000 tons of milled rice in 2015. According to media, every two weeks Suriname will export 4,000 metric tons of rice to Venezuela. The deal actually dates back to November 2010.

CORN

Corn production was affected by the severe weather conditions realized through the planting and growing season. Guárico producers planted about 60 percent of originally projected area and farmers from Portuguesa State report setbacks in the harvest of the second crop due to heavy rains that hurt average yields. Constant rains that fell in the last weeks of September and beginning of October in Portuguesa, created delays in the corn harvest and continues to plague farmers in the last few weeks of the season. Rivers in select areas breached their banks causing some flooding and making it difficult for machinery to enter fields in other areas. Post forecasts a further decrease in production for MY 2014/15 to 1.30 million tons compared to 1.36 million tons forecast in the last report. In spite of this downward adjustment, consumption is expected to remain unchanged for MY 2014/15.

The fall in production of corn attributed mainly to weather complications, is estimated to continue in 2015, due to a lack of quality seed, fertilizer and other inputs. In addition, representatives of the Venezuelan Producers Federation are not very optimistic about the 2015 corn crop given the current pricing policy. There are no incentives for corn producers to increase production at the current price of Bs 7.41/kg. (\$ 1.18/kg), when production costs are almost double.

Wheat Venezuela	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	270	270	332	332	533	457
Production	0	0	0	0	0	0
MY Imports	1,617	1,617	1,951	1,875	1,800	1,800
TY Imports	1,617	1,617	1,951	1,875	1,800	1,800
TY Imp. from U.S.	560	560	686	686	0	0
Total Supply	1,887	1,887	2,283	2,207	2,333	2,257
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	0	0	0	0	0	0
FSI Consumption	1,555	1,555	1,750	1,750	1,800	1,800
Total Consumption	1,555	1,555	1,750	1,750	1,800	1,800
Ending Stocks	332	332	533	457	533	457
Total Distribution	1,887	1,887	2,283	2,207	2,333	2,257

1000 HA, 1000 MT, MT/HA

Rice, Milled Venezuela	2012/2013	2013/2014	2014/2015
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